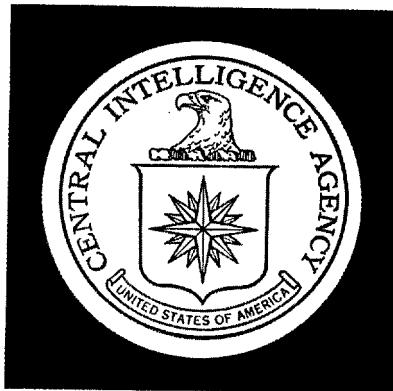


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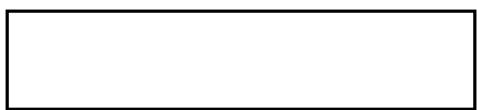
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Communist China - Japan: Recent friendly gestures toward the Japanese probably reflect the developing moderate trend in Peking.

Chinese newsmen in Tokyo reportedly declared on 26 September that Peking would soon approve the replacements of three Japanese correspondents expelled from China on 10 September. The Chinese newsmen told a group of Japanese politicians and trade officials that trade negotiations probably would begin soon. The Chinese also encouraged their hosts to send a delegation from the ruling Liberal Democratic Party to Peking as soon as possible.

This marks an abrupt reversal of Peking's previously hostile attitude toward the Japanese. As recently as two weeks ago, Chinese trade officials in Tokyo met with their Japanese colleagues and denounced the Japanese Government for allegedly manhandling Chinese officials. Earlier this month, a series of incidents had caused some Japanese trade officials to fear that the semi-official trade agreement and the exchange of newsmen would be terminated.

There have been a number of other recent indications of a shift to more reasonable behavior toward foreigners. Since the sacking and burning of the British Embassy on 22 August, there have been no major demonstrations against any foreign diplomatic missions, and a new atmosphere pervades diplomatic exchanges. Some dependents of British diplomats were allowed to leave China this month and only the most carefully controlled demonstrations took place against the Indian Embassy despite the armed clashes in Sikkim.

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Hong Kong: Moderate Communist leaders apparently are having some success in their attempts to prevent indiscriminate violence in the colony.

Their immediate objective is to restrain the militant elements who wish to defy police bans against fireworks displays on 1 October at the Chinese Communist National Day celebrations. To meet objections of the Hong Kong government, the local Communist committee in charge of arrangements has submitted a revised script for the variety shows to be staged during the celebrations.

The conflict within the local Communist leadership over the conduct of the celebrations reflects the split between moderates advocating a shift to long-term political struggle and militants among labor and education groups favoring continued violence. Although there have been some sporadic flare-ups in the last week, the moderates' control appears strong enough to have kept the violence to a minimum. One indication of this was the absence of widespread disturbances and demonstrations when Governor Trench returned to the colony early this week.

The workers and students appear to be attempting to coordinate their activities and to be ignoring the admonitions of the more moderate leaders. The leadership, in an effort to restore unity, has emphasized that it will continue efforts to erode British authority and has implied its support for some limited terrorism under the guise of "defensive counterattacks."

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Philippines: The pro-Communist Huks expect to use the November elections to expand their influence in Luzon.

Although eight national senators as well as provincial and municipal officials are to be chosen, the Huks are chiefly concentrating on local contests in Central and Western Luzon. In return for strong-arm support in the campaign, some local politicians usually promise the Huks special privileges and government positions, mainly on local police forces.

The Huks have made deals with a variety of incumbents and candidates at the municipal and village level during the past three months, with at least the tacit approval of the governors of Pampanga and Tarlac provinces. The opposition Liberal Party gubernatorial candidate for Zambales Province, in Western Luzon, as well as two key incumbent mayors are also said to have Huk backing.

Over the past two years, the Huks have been improving their position through selective acts of terrorism and intimidation, while at the same time posing as defenders of the people against government corruption and inefficiency. Through these tactics, the movement in some areas exercises an influence disproportionate to its still modest numerical strength. /

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Arab States - Israel: King Husayn will soon undertake diplomatic initiatives aimed at breaking the deadlock in the Middle East.

Husayn is going to Cairo on 30 September to try to get Nasir's agreement to accept the compromise US-Soviet resolution which the Arabs opposed at the special UN General Assembly session last summer. If he succeeds, the King will then urge the Soviets to support it when he visits Moscow on 2 to 5 October.

Egyptian officials already have indicated that Cairo would favor a resolution "along the lines" of the US-Soviet proposal, which linked Israeli withdrawal with an end to Arab belligerency.

The Soviets will probably welcome Husayn's effort, but are unlikely to take up the issue again without some assurance of broader Arab support. They have indicated that they do not intend to take the initiative to persuade such recalcitrant Arabs as the Syrians and Algerians, who fought the compromise resolution last summer and who probably still oppose it.

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[Redacted]

Czechoslovakia: The relatively moderate steps taken by the Czechoslovak regime to quiet intellectual dissidence may prove to be ineffective.

The party central committee on 27 September expelled three outspoken writers from the party, stripped another of alternate membership on the party central committee, and placed the weekly journal of the Czechoslovak writers' union under the control of the Ministry of Culture and Information.

These punitive measures were largely in response to the "antiparty views" expressed at the fourth writers' congress in June. They suggest that the party leadership was unable to agree on anything more severe. Some intellectuals, aware of the delicate balance between the liberals and the conservatives within the regime, are not likely to succumb for long to such relatively mild censure. Both party and nonparty "liberals" can be expected to continue their pressure on the party leadership for more cultural freedom and social reform.

[Redacted]

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Panama: The National Assembly, which opens on 1 October, is likely to focus on highly-charged domestic political issues rather than the proposed canal treaties.

Differences have developed within the government coalition over selecting a presidential candidate for the election in May 1968. Four of the eight coalition parties refuse to support President Robles in his choice of Finance Minister Samudio. There are no signs of an early resolution of the impasse.

The split in the coalition is working to the advantage of opposition leader Arnulfo Arias who still plans to enter the race. Arias' recent call for a "national unity" candidate probably was intended to widen the split in government ranks since he reportedly has closed the door to any "unity" candidate other than himself.

Intense politicking for the election has superseded the treaty issue. The draft canal agreements are still stalled in the advisory Foreign Relations Council which is not expected to conclude its studies until later this year. It is unlikely that Robles will attempt ratification, or even signature, until after the elections.

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Peru: Minister of War General Julio Doig told US Embassy officials on 25 September that he does not believe the cabinet installed on 5 September will last long. He also said that he and the other three military cabinet members have made it clear they will resign unless the government produces a balanced budget. Doig's remarks reflect military concern over the disarray in the Belaunde government and their intention to make their views known.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 28 September 1967 approved the following national intelligence estimate:

NIE 11-7-67, "Soviet Foreign Policy,"

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